

Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ISO-00 OMB-01 AGR-20 TRSE-00 EB-11 L-03

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P R 180918Z OCT 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 8201

INFO AMEMBASSY PHNOM PENH

AMEMBASSY BANGKOK

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E.O. 11652: N/A DECLAS 4/30/73

TAGS/ EAGR, VA

SUBJ: FORECAST 1974 PL-480 TITLE I RICE REQUIREMENT

REF: STATE 201295

1. PRELIMINARY MISSION ESTIMATE OF PL-480 TITLE I RICE REQUIRED DURING CY74 IS 450,000 MT. THIS AMOUNT ALLOWS FOR EQUIVALENT OF THE 345,000 MT IMPORTS RECEIVED IN 1973 (40,000 MT TO ARRIVE IN DECEMBER), PLUS 85,000 MT TO OFFSET A THREE PERCENT POPULATION GROWTH FROM 19.6 TO 20.2 MILLION PEOPLE AND 120,000 MT FOR STOCKS. THESE REQUIREMENTS TOTAL 550,000 MT, BUT 100,000 MT SHOULD BE AVAILABLE FROM EXPECTED INCREASES IN PRODUCTION FROM THE 1972/1973 FIGURE OF 5.9 MILLION METRIC TONS PADDY TO 6.1 FOR 1973/1974, OR ROUGHLY 100,000 MT MILLED RICE. IF THIS INCREASE FAILS TO OCCUR, WE NOTE THAT STOCKS WOULD AGAIN BE DANGEROUSLY LOW FOR THE SECOND YEAR IN A ROW, A POLITICAL RISK WE SIMPLY MUST AVOID.

2. OFFICIAL GVN FORECAST OF 1973/1974 PADDY PRODUCTION NOT YET AVAILABLE, BUT RELATIVE SECURITY CONDITIONS AND THE GVN EFFORT TO INCREASE PRODUCTION, ASSUMING FAVORABLE WEATHER, ARE EXPECTED TO RESULT IN MEASURABLE CROP INCREASES, PARTICULARLY IN LIMITED OFFICIAL USE

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THE DELTA AND SHOULD RESULT IN LARGER DELTA DELIVERY FIGURES.

ON THE OTHER HAND, OUR INABILITY TO PROCURE FERTILIZER, AS WELL AS WEATHER AND OTHER ACTS OF GOD MAY AGAIN OFFSET OUR EFFORTS TO SECURE OUTPUT INCREASES.

3. IN THE LAST SIX MONTHS THE GVN HAS BEEN GOING THROUGH ONE SERIOUS ECONOMIC PROBLEM AFTER ANOTHER. AS OF OCTOBER 15 PRICES WERE UP 54.4 PERCENT FROM A YEAR EARLIER WHILE RICE PRICES ARE UP 95 PERCENT FOR SOC NAU AND 105 PERCENT FOR NO. 1, 25 PERCENT BROKENS. IN THE PUBLIC MIND THE RICE PROBLEM HAS OVERSHADOWED EVERYTHING AND HAS ERODED SUPPORT FOR THE BASIC GVN POLICIES OF PAST FEW YEARS WHICH EMPHASIZED MARKET ALLOCATION OF RESOURCES, RELIANCE ON PRIVATE SECTOR, AND REMOVAL OF GOVERNMENT CONTROLS. CONFRONTED BY SEVERE INFLATION, LIMITED EXTERNAL ASSISTANCE AND THE FEAR OF A RICE SHORTAGE, THE GVN HAS TAKEN EXTENSIVE CONTROL MEASURES AND IS NOW SERIOUSLY CONSIDERING REPLACEMENT OF OPEN MARKET RICE POLICIES BY A GOVERNMENT MONOPOLY, IN WHOLE OR IN PART, OF RICE PURCHASING, COLLECTION AND DISTRIBUTION. WE BELIEVE THAT THE 450,000 MT IMPORT LEVEL IS NECESSARY TO PROVIDE ADEQUATE STOCK BUILDUP AND AVOID ANY FURTHER EROSION OF A FREE MARKET POLICY. WE DEEPLY BELIEVE THAT ONLY A FREE MARKET POLICY OFFERS THE INCENTIVES FOR LONG-TERM PRODUCTION INCREASES WHICH IS A POLITICAL AS WELL AS ECONOMIC IMPERATIVE FOR THE FUTURE.
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